

Lyons Township District Library

Lyons, Michigan
Ionia County

Financial Statements
February 29, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Lyons Township District Library	County Ionia
Audit Date 2/29/04	Opinion Date 7/1/04	Date Accountant Report Submitted to State: 8/30/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

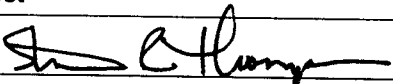
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☒ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGR).			✓

Certified Public Accountant (Firm Name) Biggs, Hausserman, Thompson, and Dickinson, P.C.			
Street Address 356 E. Main Street	City Saranac	State MI	ZIP 48881
Accountant Signature 			Date 8/27/04

Lyons Township District Library
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INDEPENDENT AUDITOR'S REPORT

To the Library Board
Lyons Township District Library
Lyons, Michigan

We have audited the accompanying general purpose financial statements of Lyons Township District Library as of and for the year ended February 29, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the Lyons Township District Library's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Lyons Township District Library as of February 29, 2004, and results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Biggs, Hausserman, Thompson & Dickinson
Biggs, Hausserman, Thompson & Dickinson, P.C.
Certified Public Accountants

July 1, 2004

Lyons Township District Library

Balance Sheet

February 29, 2004

	Governmental Fund Type	Account Group	Totals (Memorandum Only)
Assets	General	General Fixed Assets	
Cash in bank	\$ 106,462	\$ 0	\$ 106,462
Investments	17,390	0	17,390
Taxes receivable	70,471	0	70,471
Building and Improvements	0	123,269	123,269
Furniture and Equipment	0	24,534	24,534
Total Assets	<u>\$ 194,323</u>	<u>\$ 147,803</u>	<u>\$ 342,126</u>
Liabilities and Fund Equity			
Liabilities			
Accounts payable	\$ 1,321	\$ 0	\$ 1,321
Fund Equity			
Fund balances			
Invested in Fixed Assets	0	147,803	147,803
Undesignated	193,002	0	193,002
Total fund equity	<u>193,002</u>	<u>147,803</u>	<u>340,805</u>
Total liabilities and fund equity	<u>\$ 194,323</u>	<u>\$ 147,803</u>	<u>\$ 342,126</u>

Lyons Township District Library
Combined Statement of Revenues, Expenditures, and Changes
in Fund Balances – Budget and Actual – General Fund
For Year Ended February 29, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property Taxes	\$ 66,000	\$ 71,996	\$ 5,996
Penal fines	32,500	29,168	(3,332)
State revenue sharing	3,200	3,214	14
Interest	1,980	2,199	219
Contributions - other	1,500	439	(1,061)
Miscellaneous	2,724	2,655	(69)
Total Revenues	107,904	109,671	1,767
Expenditures			
Wages	48,000	45,742	2,258
Payroll taxes	3,600	3,499	101
Fringe benefits	4,560	2,140	2,420
Books	10,000	12,270	(2,270)
Periodicals	1,000	612	388
Education	200	422	(222)
Insurance	3,350	2,575	775
Memberships and dues	1,850	1,975	(125)
Postage	276	326	(50)
Rental	540	675	(135)
Videos	1,000	838	162
Utilities	6,384	7,591	(1,207)
Professional services	6,565	2,811	3,754
Miscellaneous	636	3,369	(2,733)
Automation	10,000	8,979	1,021
Supplies	1,800	1,513	287
Repairs and maintenance	750	643	107
Total Expenditures	100,511	95,980	4,531
Excess (deficiency) of revenues over expenses	7,393	13,691	6,298
Fund balance, March 1	114,320	114,320	0
Adjustment to fund Balance	0	64,991	64,991
Fund balance, February 28	\$ 121,713	\$ 193,002	\$ 71,289

Lyons Township District Library
Notes to Financial Statements
February 29, 2004

Note A - Summary of Significant Accounting Policies

The accounting policies of Lyons Township District Library, Ionia County, Michigan, conform to generally accepted accounting principles as applicable to governmental units. The Library is a public library that is recognized by the State of Michigan as eligible to receive penal fines collected for the breach of penal laws of this State within the County. The Library is also eligible to either on its own, or through its incorporation municipalities, to levy millage for the support of the operations for the Library. Assets of the Village of Lyons Library were transferred to the Lyons Township District Library on February 28, 2003. These assets were reflected as beginning balances as of March 1, 2003.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and types described as follows:

Governmental Fund

The General Fund is used to account for all financial transactions not required to be accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from state distributions, property taxes, grants and other intergovernmental revenues.

Basis of Accounting

The modified accrual basis of accounting is used by all Governmental Fund and Agency Funds. Revenues and other sources are recognized in the accounting period, which they became susceptible to accrual – that is when they became both measurable and available to finance expenditures of the fiscal period. Expenditures are recognized when the related liability is incurred.

General Fixed Assets

Purchases of general fixed assets are recorded as expenditures in the General Fund at the time of purchase. The Library's assets were transferred to them in February 2003 from The Village of Lyons. The Library has also maintained a record of its general fixed assets as required by generally accepted accounting principles.

Investments

Investments are stated at cost.

Lyons Township District Library
Notes to Financial Statements
February 29, 2004

Note A - Summary of Significant Accounting Policies - Continued

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

- Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Library Board for consideration.
- The proposed budgets include expenditures as well as the methods of financing them.
- Public hearings are held to obtain taxpayer comments.
- The budgets are adopted by a majority vote of the Library Board.
- The budgets are adopted on the modified accrual basis of accounting.
- The originally adopted budgets can be amended during the year only by a majority vote of the Library Board.
- The adopted budgets are used as a management control device during the year for all budgetary funds.
- Budget appropriations lapse at the end of each fiscal year.
- The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets, there were no amendments that were approved by the Library Board during the fiscal year.

Property Taxes

Property taxes and other revenues that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls.

As part of the Ionia County Library Services contract, Ionia County levies the appropriate millage on a countywide basis. The County Treasurer is responsible for collecting the property taxes. The Treasurer will then remit the appropriate share to each library within the County, after settlement is made with the various taxing agencies within the County.

Lyons Township District Library
Notes to Financial Statements
February 29, 2004

Note A - Summary of Significant Accounting Policies - Continued

Scope of Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Library contain all the funds and account groups that are controlled by or dependent on the Library's executive or legislative branches.

Total Columns on Combined Statements

The total column on the Combined Statements is captioned Memorandum Only to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note B: Cash and Investments

Cash includes amounts in demand deposits and certificates of deposits.

Investments are stated at fair value.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

Lyons Township District Library
Notes to Financial Statements
February 29, 2004

Note B: Cash and Investments - Continued

The captions on the combined balance sheet relating to cash, and investments and the amounts in the total (memorandum only) column are as follows:

Total (memorandum only)	
Cash and cash equivalents	\$ 106,462
	<u> </u>

A summary of cash by type is as follows:

Demand and savings accounts	\$ 5,429
Money Market	101,033
Total	<u>\$ 106,462</u>

Total (memorandum only)	
Investments	\$ 17,390
	<u> </u>

A summary of investments by type is as follows:

Certificate of Deposits	\$ 17,390
	<u> </u>

Lyons Township District Library's investments are in accordance with statutory authority. Cash in bank and certificates of deposit are all held in the name of Lyons Township District Library.

The deposits were reflected in the accounts of financial institutions at \$124,457 of which \$100,000 is covered by federal depository insurance.

Note C - General Fixed Assets

A summary of changes in general fixed assets follows:

	Balance 3/1/03	Additions	Deletions	Balance 2/29/04
Building and improvements	\$ 123,269	\$ 0	\$ 0	\$ 123,269
Furniture and equipment	15,554	8,980	0	24,534
Totals	<u>\$ 138,823</u>	<u>\$ 8,980</u>	<u>\$ 0</u>	<u>\$ 147,803</u>

Lyons Township District Library
Notes to Financial Statements
February 29, 2004

Note D - Pension Plan

As of February 29, 2004, the Library does not have a pension plan. The library does provide the librarian with a tax sheltered annuity for her to invest at her own choosing.

Note E - Post-employment Benefits

The Library provides no post employment benefits to retirees.

Note F - Risk Management

The Library is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Library has purchased commercial insurance for property loss, torts, and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note G - Prior Period Adjustments

A prior period adjustment was made on this year's financial statements to correct how the Library recognizes revenue. The prior period adjustment was made to properly reflect the recognition of property taxes in the proper period.

July 1, 2004

To the Library Board
Lyons Township District Library
Lyons, Michigan

We have recently completed our audit of the general-purpose financial statements of the Lyons Township District Library for the year ended February 29, 2004. As required by generally accepted auditing standards, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS

We conducted our audit of the general-purpose financial statements of the Lyons Township District Library in accordance with generally accepted auditing standards. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for the devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the general purpose financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the general purpose financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the general purpose financial statements is confined to the expression of an opinion on them. The general purpose financial statements remain the representations of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those that have, on a relative basis, more importance to the general purpose financial statements and greater possibilities of material error than with those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective of an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an auditor provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or irregularities. The existence of that risk is implicit in the phrase in the audit report, "in our opinion".

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

Auditing standards call for us to inform you regarding the initial selection of, and changes in, significant accounting policies or their application. In addition, we are expected to inform you about the methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing Standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

COMMENTS AND RECOMMENDATIONS

Our procedures, which were made for the limited purpose described previously, would not necessarily disclose all material weaknesses in the system of internal control. Accordingly, we do not express an opinion on the system of internal control structure of the Library taken as a whole. However, we would like to make the following comments and recommendations.

- **GASB 34**

GASB 34 was recently approved which will significantly modify the accounting procedures used for governmental entities. The effective date for the Library is the fiscal year beginning March 1, 2004.

GASB 34 will require the depreciation of fixed assets owned by the Library. To facilitate this, the library should maintain a fixed asset schedule. Annual purchases should be added while disposals should be deleted.

CAPITALIZATION POLICY

The Library should adopt a capitalization policy to give guidance for the fixed assets to be recorded and depreciated under GASB 34. A capitalization policy of \$500 to \$1,000 should be established by the Board. This means that anything purchased under the capitalization amount will be expensed in the year purchased. Only those assets over the capitalization amount will be recorded as fixed assets and depreciated.

BUDGET

The Michigan Budget Act requires budgets to be approved before the beginning of the fiscal year. Expenditures cannot legally be made until a budget is in place. The initial budget for the year ended February 29, 2004 was not adopted until the March 5, 2003 board meeting. The budget should be adopted in February for the subsequent year to be in compliance.

INVESTMENT POLICY

The State of Michigan also requires local units of government to establish an Investment Policy. This policy is required to be given to financial institutions used by the Library.

GENERAL BOOKKEEPING

Checks written are sometimes backdated to the period covered by the invoice. Checks written should always be dated on the day they are processed. This will make the bank reconciliation process easier and keep the proper sequence of checks in the accounting records.

The accounts payable function of the program should be used to record bills into periods other than when paid. This requires the bill to be entered when received, rather than when paid.

Receipts are currently posted monthly by use of a general journal entry. Receipts should be entered to correspond to deposits made and should use the receipts journal within the program. This will allow entering some description regarding the receipt that prints in the general ledger. This will also allow the ledger entries to correspond to the bank statements for a better audit trail.

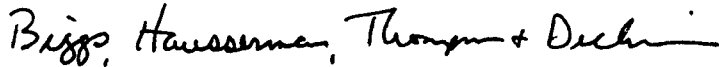
PROPERTY TAXES

The county does not distribute the annual property tax levy until the tax year is over and after the end of the Library's fiscal year. The taxes are received within the time frame for accrual of this revenue. Therefore, the taxes paid to the Library soon after February 29, 2004 have been recorded as a receivable and revenue for the fiscal year ended February 29, 2004. This should have been treated this way last year also, so we have made a prior period adjustment to reflect this receivable last year.

If we can be of assistance with any of the above comments, or if there are any questions, please contact our office.

We would like to express our appreciation for the cooperation extended to us by the Library officials during the course of the audit. It is a pleasure providing professional services to the Lyons Township District Library.

Very truly yours,

A handwritten signature in cursive script that reads "Biggs, Hausserman, Thompson & Dickinson".

BIGGS, HAUSSERMAN, THOMPSON & DICKINSON, P.C.
Certified Public Accountants

BHT&D